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Message Text

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PAGE 01 ALEXAN 00066 250915Z
ACTION NEA-10

INFO OCT-02 ISO-00 EB-08 /019 W
----------130774 260041Z /75
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E.O. 11652: N/A
TAGS: EPAP, BDIS, EG
SUBJECT: ALLEGATION OF SUPPLY OF INFERIOR GRADE OF LUMBER:
SOUTHERN YELLOW PINE

REF: A. ALEXANDRIA 1283 B. ALEXANDRIA A-25 OF NOV 11, 1977

1. SUMMARY: GOE'S PUBLIC SECTOR LUMBER IMPORTER IS VERY DISSATISFIED WITH CONDITION OF SOUTHERN YELLOW PINE SUPPLIED IN PAST YEAR PUTTING IN JEOPARDY OPPORTUNITY FOR U.S. TO EXPAND ITS RELATIVELY SMALL PERCENTAGE OF EXPORTS TO EGYPT. COMPANY FINDS WOOD SUPPLIED DEFECTIVE ALTHOUGH IS NOT MAKING A FORMAL TRADE COMPLAINT.

2. CONGEN WAS INFORMED JANUARY 19 BY WEYERHAUESER REP THAT PURCHASE OF LARGE QUANTITY OF SOUTHERN YELLOW PINE BY SOCIETA COMMERCIALE DES BOIS (FABAS) ALEXANDRIA, EGYPT IN EARLY 1977 FROM AMERICAN INDUSTRIES OF TALLAHASSEE, FLORIDA (52,800 CUBIC METERS) AND TRANS-CONTINENTAL COMPANY OF NASHVILLE, TENNESSEE (9,050 CUBIC METERS) HAS PROVED ONEROUS FOR THE ALEXANDRIA FIRM AND MAY LEAD TO INCREASED RESISTANCE OF AMERICAN LUMBER EXPORTS IN EGYPT. FABAS, A PUBLIC SECTOR COMPANY, CONSTITUTES A VIRTUAL
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MONOPLOY OF EGYPTIAN LUMBER IMPORTS, CONTROLLING OVER NINETY PERCENT OF IMPORT PURCHASES.

3. THE ENTIRE CONSIGNMENT, SUPPLIED IN CONTRACTS SIGNED IN 1976, BECAME WARPED, TWISTED AND CROOKED AFTER ARRIVAL IN ALEXANDRIA APPARENTLY DUE TO EXPOSURE IN U.S. YARDS AND LACK OF PRIOR STEAM-DRYING. FABAS

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HAS THUS BEEN UNABLE TO SELL THE PINE AT REASONABLE PRICES AND HAS BEEN FORCED TO COMPEL ITS CUSTOMERS TO ACCEPT SMALL QUANTITIES OF SOUTHERN YELLOW PINE AT THE SAME TIME AS OTHER SPECIES IT WISHED TO PURCHASE IN ORDER TO MOVE THE CONSIGNMENT FROM ITS YARDS, BUT NEVERTHELESS IS TAKING A LOSS ON THE PRODUCT. ANOTHER CONSIGNMENT OF 20,000 CUBIC METERS OF SOUTHERN YELLOW PINE CONTRACTED FROM TRAVERS AND COMPANY OF MOBILE, ALABAMA, IS IN THE HARBOR AWAITING OFF-LOADING BUT REMAINS UNINSPECTED FOR DEFECTS AT THIS TIME.

4. AS A RESULT OF ITS BAD EXPERIENCE WITH THE QUALITY OF SOUTHERN YELLOW PINE SUPPLIED, A PROPOSED TENDER FOR 40,000 CUBIC METERS OF U.S. SOUTHERN YELLOW PINE WHICH WAS TO HAVE BEEN OFFERED IN FEBRUARY FOR THE GOE MINISTRY OF HOUSING AND RECONSTRUCTION IS NOW NOT BEING CONSIDERED BY FABAS. AS A PUBLIC SECTOR COMPANY, FABAS MAKES ALL PURCHASES OF LUMBER THROUGH FOREIGN GOVERNMENT TENDERS.

5. IT WAS ALLEGED TO E/C OFFICER THAT AMERICAN INDUSTRIES AND TRANSCONTINENTAL MAY HAVE OFFERED TO FABAS AN EXTREMELY LOW PRICE TO WIN THE CONTRACTS AND SUPPLIED LOWER GRADE SOUTHERN YELLOW PINE TO FABAS. AS A RESULT, U.S. SOUTHERN YELLOW PINE IS NOW ON THE VERGE OF BEING NO LONGER ACCEPTABLE IN LIMITED OFFICIAL USE

EGYPT. MUCH DEPENDS ON THE CONDITION OF THE TRAVERS CONSIGNMENT WHICH AWAITS OFF-LOADING.

6. MAGDI EL DARDIRI, CHAIRMAN OF FABAS TOLD E/C OFFICER JANUARY 23 THAT HE WISHES TO DRASTICALLY REDUCE EGYPTIAN DEPENDENCE ON USSR FOR LUMBER NEEDS (SOVIETS PRIVIDE 40 PERCENT OF EGYPT'S LUMBER IMPORT AND WOULD LIKE TO SHIFT A GOOD PROPORTION OF BUSINESS TO U.S. BUT RECENT EXPERIENCE HAS PROVED DISCOURAGING). THE TOTAL ANNUAL VALUE OF LUMBER IMPORTS INTO EGYPT HAVE REACHED DOLLARS 500 MILLION LEVEL WITH BETWEEN 800,000 AND ONE MILLION CUBIC METERS IMPORTED INTO EGYPT ON WORLDWIDE BASIS. THE BAD REACTION TO SOUTHERN YELLOW PINE CAN HAVE POTENTIALLY FAR-REACHING NEGATIVE CONSEQUENCE FOR EXPANDING U.S. LUMBER EXPORTS TO EGYPT (ALL EGYPTIAN IMPORTS OF U.S. LUMBER IN LAST TWO YEARS HAVE BEEN LIMITED TO SOUTHERN YELLOW PINE).

7. DARDIRI ALSO ADDED IN CONVERSATION WITH E/C OFFICER THAT A BUYING TEAM FROM FABAS SENT IN 1977 TO FLORIDA AND TENNESSEE DID NOT PURCHASE DESIRED

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BEECHWOOD BECAUSE IT HAD TOO MANY KNOTS AND THE SORTING AND GRADING USED IN U.S. WERE POOR AND NOT RELEVANT TO EGYPTIAN MARKETS. THE TEAM ALSO FOUND U.S. PLYWOOD DIMENSIONS WERE NOT IN CONFORMITY WITH NEEDS OF EGYPTIAN MARKET. MCCLELLAND

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